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TO RUEHC/SECSTATE WASHDC PRIORITY 5687

INFO RUCNCIS/CIS COLLECTIVE PRIORITY

RUEHZN/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUEHXA/MOSCOW POLITICAL COLLECTIVE PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS MOSCOW 005717

SIPDIS

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SENSITIVE

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
EUR/CARC, SCA (GALLAGHER, SUMAR)

DOE FOR HARBERT, HEBORG, EKIMOFF

DOC FOR 4231/IEP/EUR/JBROUGH

E.O. 12958: N/A

TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)

SUBJECT: GAZPROM: 2008 GAS PRICE DEAL WITH UKRAINE

CONCLUDED

REF: A. KYIV 2939

[1](#)B. MOSCOW 5563

"DONE FOR 2008"

[11.](#) (SBU) Confirming press reports, Gazprom International Affairs Director Ivan Zolotov told us December 5th that a deal had been concluded with Ukrainian Minister of Energy Yuriy Boyko the previous day on the 2008 gas price to Ukraine and transit fees to and through Ukraine. Zolotov said negotiations are now "done for 2008." The agreement calls for Ukraine to pay \$179.50 per thousand cubic meters (mcm), up from the current \$130. Ukraine will raise transit fees on Russian gas to Europe from \$1.60 to \$1.70 per mcm per hundred kilometers, and pay Gazprom \$1.70 per mcm per hundred km for transit from Turkmenistan for the gas destined to Ukraine.

[12.](#) (SBU) Zolotov claimed the Ukrainians "were happy" with the deal, given Gazprom's "compromise" on the transit tariff increase. He said the previous agreement leading to "market prices" by 2011 still stands and reiterated that "Ukraine is still getting a good deal" compared to the rest of Europe, which is expected to pay over \$300 per mcm in 2008. When we asked Ukrainian Embassy first secretary Yaroslav Dubovich if they were happy with the deal, he replied, "...happy? We're happy that the negotiations are over." He also confirmed that the deal has been finalized.

COMMENT

[13.](#) (SBU) Given that Gazprom basically sells to Ukraine the gas it buys from Turkmenistan, and that Turkmenistan raised its price to \$150 per mcm for the second half of 2008 (reflets), a rise above the previously expected \$160 per mcm price for Ukraine was inevitable. There was some anxiety last week as to whether this year's negotiations, somewhat derailed by the Turkmen price increase, would go down to the wire. But both sides seem to have shown some flexibility, and this appears to be the end, for now, of the gas price saga between Russia and Ukraine. It is welcome news and should be well-received by European gas consumers.

BURNS